

DRAFT

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
CONVENTION AND VISITORS BUREAU
4343 NORTH SCOTTSDALE ROAD, SUITE 170
SCOTTSDALE, ARIZONA
AUGUST 16, 2005
MINUTES**

MEMBERS PRESENT:

Ned Sickie, Chairman
John Holdsworth, Vice-Chairman
Margaret Dunn, Commissioner
Sally Shaffer, Commissioner
Gordon Zuckerman, Commissioner

ABSENT: Jerry Gleason, Commissioner
Tom Morrow, Commissioner

STAFF: Kathy O'Connor
Kathy Montalvo
Jennifer Hawkes
Brad Gessner
Lee Guillory

OTHERS PRESENT FOR ALL OR PART OF THE MEETING:

Wayne Ecton, Councilman
Rachel Sacco
Bob Hayward
Adam Drake
Belinda Davis
Janice Wight

1. CALL TO ORDER

Chairman Sickie called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:05 a.m.

2. ROLL CALL

A formal roll call confirmed members present as stated above, noting the presence of a quorum.

3. APPROVAL OF MINUTES (Attachment 1)

Ms. O'Connor asked that the minutes from the July 26, 2005 meeting be amended to include Commissioner Morrow's entire statement declaring a conflict of interest.

VICE-CHAIRMAN HOLDSWORTH MOVED TO APPROVE THE MINUTES OF THE JULY 26, 2005 MEETING PENDING THE DESCRIBED CHANGES. SECONDED BY COMMISSIONER SHAFFER. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

4. BED TAX PROFORMA (Attachment 2)

Ms. Guillory reported that the City will have closed the books on the previous fiscal year by September 15th and that final numbers for the report will be done in time for the next Commission meeting. Ms. O'Connor added that this decision was made in order to avoid presenting an incomplete picture to the Commission at this time. There were no great changes anticipated in the meantime.

5. COMPETITIVE MARKET ANALYSIS AND LODGING REPORT (Attachment 2)

The report presents the Commission with a picture of how Scottsdale is performing against comparative lodging markets. Ms. O'Connor noted that Scottsdale experienced the second largest increase in market penetration behind only Naples/Marco Island, reflecting a nearly 3% improvement over the prior year. These numbers reinforce Scottsdale's increasing room occupancy figures.

Chairman Sickle asked if the numbers reflected leisure weekend travelers or business transient customers. Ms. O'Connor indicated that the numbers reflected the market as a whole and revealed no trends in a particular target market. She added that the Commission might consider requesting future reports which break the information down into more detailed sub-categories.

Bob Hayward and Adam Drake from Warnick & Co. presented the details of the report. Mr. Hayward began with a comparison of overall market penetration. The Phoenix metropolitan area is characterized as a very diverse and fresh lodging market. Diversity is displayed in the balance between group business, transient commercial business and transient leisure business demand. Additionally, the large amount of new properties offer a fresh base of product that makes the market more appealing, overall, as a destination. These traits help insulate the market and allow it to rebound more quickly from economic downturns.

Room availability, occupancy, ADR growth and RevPAR growth are all in the top ten among markets nationally. Resort occupancy continues to grow even as the number of rooms increase, demonstrating the strength of the overall market.

Mr. Hayward mentioned a number of new properties that are scheduled to open in the near future including the new 1,000 room Sheraton opening in downtown Phoenix in 2008 in conjunction with the convention center, and the 330-room Renaissance Hotel in Westgate by the end of 2006.

Also planned are full-service or resort-oriented properties at Casino Arizona, on the Fort McDowell Indian Reservation, Montelucia at La Posada, and a new hotel near Kierland. The relatively low number of rooms added overall signifies that RevPAR growth is expected to continue a strong upward trend.

Following the broad market analysis, the report focused on Scottsdale's performance in relation to comparative sub-markets. Scottsdale continues to be a vibrant market, leading the submarkets in RevPAR, occupancy growth and ADR. Overall occupancy was second only to Phoenix West.

Mr. Hayward responded to Chairman Sickle's prognosis for RevPAR growth for next year by stating that the current trend of 7% to 8% should continue into 2006. While some submarkets can expect up to 10% growth, there is still a lot of distance to cover in order to reach pre-9/11 levels.

Chairman Sickle asked how Naples/Marco Island was able to display such strong performance despite suffering devastating hurricanes. Mr. Hayward offered that the focus on establishing greater regional identity in its marketing strategy helped Naples/Marco Island overall. Chairman Sickle asked if there were any specific lessons from the Naples/Marco Island example that Scottsdale could learn from. Mr. Hayward indicated that a more focused investigation could reveal some new ideas.

Mr. Drake added that the recent conversion of many resort rooms to condominium properties and the ongoing renovation of many others is a real challenge to the Scottsdale market. In response to Commissioner Dunn's question, Mr. Drake clarified that out-of-commission rooms do not skew the results since the report takes into account changes in room supply.

Councilman Ecton remarked that the additions of the Marriott Desert Ridge and Westin Kierland resorts in Phoenix seemingly prevented Scottsdale's growth from being as strong as it would have otherwise been. Mr. Hayward responded that indications showed that while rates were affected, the addition of those resorts induced new demand into the market that couldn't have been satisfied previously due to existing capacity issues.

Vice Chairman Holdsworth asked for clarification if cooperative programs with adjacent sub-markets in marketing a regional area as a unified destination seemed to be a growing trend. Mr. Drake responded that it works both ways, with some destinations trending in the opposite direction. Vice-Chairman Holdsworth remarked that campaigns could be adjusted depending on the target

market. Ms. Sacco illustrated Naples' work in conjunction with the whole of south Florida in marketing the Everglades region as a cultural and ecotourism destination.

Commissioner Dunn pointed out that the Phoenix market is losing out to Las Vegas in marketing itself as the gateway to the Grand Canyon.

Also of concern are some emerging traditional resort markets that threaten Scottsdale's market share including Southern California, Cabo San Lucas and Las Vegas. Locally, Scottsdale also faces threats such as the developing Westgate development in Glendale.

Mr. Hayward said that the flurry of boutique hotel development in Scottsdale complements the traditional resort product. There clearly is a niche for that kind of product that enhances the overall destination.

Councilman Ecton stated the importance of looking internally as well as externally, noting that Scottsdale does not market itself as well as it should. He used emerging attractions such as the canal banks and existing ones such as Papago Park as areas of potential improvement. Mr. Hayward agreed, noting that Scottsdale does not have the definitive image it once had, and steps are in order to recast the public perception of the city.

At the conclusion of the report Ms. O'Connor said that one of the tasks of the Five-Year Strategic Plan is the competitive market. The plan will look not only at segmenting destinations, but also how Scottsdale might band certain regional features together to market as one aggregate destination.

Mr. Hayward added that future reports are to include more data on aggregate as well as segmenting destinations reflecting the recent trends.

Commissioner Zuckerman suggested the Commission could formulate questions to be included in future questionnaires. Vice-Chairman Holdsworth agreed, noting that emerging markets are a real threat that needs to be analyzed.

6. TDC MATCHING EVENT ADVERTISING SUB-COMMITTEE FY2005/06 FUNDING RECOMMENDATIONS (Attachments 4A, 4B, 4C, 4D)

Ms. O'Connor presented the recommendations provided by the Tourism Development Event Sub-Committee. She stressed that each application was evaluated against the criteria that the event advertise and promote Scottsdale as an attractive destination to the targeted upscale resort visitor on a national level, and secondly, that it have the potential to generate room-nights. Ms. O'Connor additionally informed the Commission that the Festival of the West will be relocating to the Gila River Indian Reservation and therefore would no longer be qualified to receive the \$18,000 in matching funds provided by the

recommendation. The total suggested allocation was amended to \$166,907. Each application was presented individually to the Commission for review and formal approval.

All recommended events met the criteria outlined in the MEAF application for funding. The TDC sub-committee recommendations were reviewed by the Commission for each event and the following motions were made:

Scottsdale Futurity & Quarter Horse Show

VICE-CHAIRMAN HOLDSWORTH MOVED TO AWARD THE SCOTTSDALE FUTURITY AND QUARTER HORSE SHOW WITH \$7,337 IN MATCHING ADVERTISING FUNDS. SECONDED BY COMMISSIONER SHAFFER. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

Barrett-Jackson Collector Car Auction

VICE-CHAIRMAN HOLDSWORTH MOVED TO AWARD THE BARRETT-JACKSON COLLECTOR CAR AUCTION WITH \$18,000 IN MATCHING ADVERTISING FUNDS. SECONDED BY COMMISSIONER SHAFFER. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

Celebration of Fine Art

VICE-CHAIRMAN HOLDSWORTH MOVED TO AWARD THE CELEBRATION OF FINE ARTS WITH \$16,265 IN MATCHING ADVERTISING FUNDS. SECONDED BY COMMISSIONER ZUCKERMAN. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

P. F. Chang's Rock 'n' Roll Marathon and Half Marathon

VICE-CHAIRMAN HOLDSWORTH MOVED TO AWARD P.F. CHANG'S ROCK 'N' ROLL MARATHON AND HALF MARATHON WITH \$18,000 IN MATCHING ADVERTISING FUNDS. SECONDED BY COMMISSIONER ZUCKERMAN. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

Russo & Steele Auto Auction

VICE-CHAIRMAN HOLDSWORTH MOVED TO AWARD THE RUSSO & STEELE AUTO AUCTION WITH \$17,305 IN MATCHING ADVERTISING FUNDS. SECONDED BY COMMISSIONER ZUCKERMAN. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

Sun Country Quarter Horse Show

VICE-CHAIRMAN HOLDSWORTH MOVED TO AWARD THE SUN COUNTRY QUARTER HORSE SHOW WITH \$18,000 IN MATCHING ADVERTISING FUNDS. SECONDED BY COMMISSIONER SHAFFER. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

FBR Open

VICE-CHAIRMAN HOLDSWORTH MOVED TO AWARD THE FBR OPEN WITH \$18,000 IN MATCHING ADVERTISING FUNDS. SECONDED BY COMMISSIONER ZUCKERMAN. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

Scottsdale Arabian Horse Show

VICE-CHAIRMAN HOLDSWORTH MOVED TO AWARD THE SCOTTSDALE ARABIAN HORSE SHOW WITH \$18,000 IN MATCHING ADVERTISING FUNDS. SECONDED BY COMMISSIONER ZUCKERMAN. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

Arizona Bike Week

VICE-CHAIRMAN HOLDSWORTH MOVED TO AWARD ARIZONA BIKE WEEK WITH \$18,000 IN MATCHING ADVERTISING FUNDS. SECONDED BY COMMISSIONER ZUCKERMAN. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

Scottsdale Culinary Festival

VICE-CHAIRMAN HOLDSWORTH MOVED TO AWARD THE SCOTTSDALE CULINARY FESTIVAL WITH \$18,000 IN MATCHING ADVERTISING FUNDS. SECONDED BY COMMISSIONER SHAFFER. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FIVE (5) TO ZERO (0).

Cynosport Games

The Sub-Committee recommended no funding for this event as the criteria of promoting Scottsdale as a tourist destination had not been met.

Bill Dickey's East-West Classic

Ms. O'Connor reported that the Sub-Committee recommended funding not be provided. While being a worthwhile charitable golf-event, it did not meet the criteria of driving tourism.

She added that the CVB has had conversations with the organizers about how to generate exposure to the event locally. Chairman Sickle concurred with the assessment that it was a worthy event and reiterated that the CVB would be better suited to meet the needs of promoting the event locally.

Belinda Davis stated that future applications would better reflect the criteria set forth by the Committee. Chairman Sickle offered the staff's assistance in helping address those issues in subsequent years.

Scottsdale Roundup

The Scottsdale Roundup did not receive a recommendation for funds. Ms. O'Connor pointed out that she had spoken with the organizer, noting that the event would be considered in the future pending satisfactory conclusion of the remaining permitting issues with the City.

National Festival of the West

Ms. O'Connor reiterated that the Festival of the West is no longer qualified to receive matching funds since the event is moving outside of Scottsdale.

Based on the Commission's actions, Ms. O'Connor summarized that a total of \$166,907 had been recommended to the Council as expenditures for tourism development matching advertising funds.

Chairman Sickle commended the work of the Sub-Committee. Ms. O'Connor additionally noted to the Commission that Commissioner Gleason communicated via e-mail his concurrence with the decisions of the Sub-Committee.

7. MONTHLY UPDATES

Bed Tax Staff Report (Attachments 5A, 5B)

Ms. O'Connor reported that final numbers for the year were not yet available, but that the bed tax receipts for June were up 9.5 percent, continuing a healthy trend. Chairman Sickle wondered if the annual bed tax projections should be increased to better reflect the actual numbers. Ms. O'Connor suggested that next month would be a good opportunity to consider the matter as the final numbers from the last fiscal year would be advantageous to formulating such a projection.

Smith Travel Research Lodging Report (Attachment 6)

Ms. O'Connor reported that the Smith Travel Research Lodging Report reflects a 12.5 percent increase in current year-to-date RevPAR over last year, continuing a strong trend.

Project Status Updates

Ms. O'Connor reported that the Five-Year Strategic Plan continues to move forward. Scheduled are smaller focus-group sessions with members of the tourism community and one-on-one interviews with each of the members of the Tourism Development Commission. Mitch Nichols is gathering the information that will allow the broadest and most accurate picture of what is happening in the community and identify those issues that will be addressed when developing tactical and strategic approach to the five-year plan.

The Desert Discovery Feasibility Update is currently in the information gathering stages. A final product is anticipated to be ready by the end of October.

Commissioner Holdsworth suggested that it would be beneficial for Mitch Nichols to attend the Tourism Development Commission Meetings during the planning stages of the Strategic Review, in light of the report from the Warnick team. Ms. O'Connor noted that Mr. Nichols had a conflict that prevented him from attending this meeting but it is anticipated that he could attend future meetings when necessary. Chairman Sickie added that not all of the meetings would be of value to him, but that he should be debriefed on any issues regarding the Strategic Review deliberations.

8. SCOTTSDALE CONVENTION AND VISITOR'S BUREAU UPDATE

Ms. Sacco reported that a conference call is scheduled with Mitch Nichols and Neal Howe regarding the upcoming Board of Directors retreat. Part of the retreat's focus will be on ways to implement the Strategic Plan.

She reminded the Commission that the CVB's Annual meeting is to be held in September. Invitations were sent out the day prior to today's meeting and should arrive in the mail soon.

The CVB's television commercials are in the final stages of production. The finished product will be available to show at the next Tourism Development Commission meeting.

The annual audit will occur on Monday and will run the course of three days.

Yearly reports are being closed, marking the end of a very good year. Ms. Sacco will meet with Ms. O'Connor to review reporting procedures for next year so as to ensure the most relevant information be provided the committee.

9. ITEMS FROM THE FLOOR

There were no items from the floor.

10. PUBLIC COMMENTS

There were no public comments.

11. ADJOURNMENT

With no further business before the Commission, the meeting adjourned at 9:25 a.m.

Respectfully submitted,
A-V Tronics, Inc.